

Message Text

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44

ACTION EA-14

INFO OCT-01 EUR-25 ADP-00 SSO-00 NSCE-00 USIE-00 INRE-00

AID-20 EB-11 NSC-10 RSC-01 CIEP-02 TRSE-00 SS-15

STR-08 OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 L-03 H-02 PA-03

PRS-01 DODE-00 ABF-01 RSR-01 /159 W

----- 006788

O 201450 Z JUN 73 ZFF-6

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC NIACT IMMEDIATE 8990

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY KUALA LUMPUR IMMEDIATE

AMEMBASSY JAKARTA IMMEDIATE

UNCLAS SINGAPORE 2518

E. O. 11652: N/A

TAGS: EFIN

SUBJECT: SINGAPORE DOLLAR FLOAT

FOLLOWING STATEMENT RELEASED 1900 HOURS JUNE 20

BY SINGAPORE FINANCE MINISTER:

THE UNSETTLED INTERNATIONAL MONETARY SITUATION AFFECTING
THE U. S. DOLLAR COULD GET WORSE BEFORE IT GETS BETTER.
THE WEAKNESS OF THE U. S. DOLLAR, TO WHICH THE SINGAPORE DOLLAR
IS NOW LINKED, HAS RESULTED IN AN ARTIFICIALLY LOW VALUE FOR
THE SINGAPORE DOLLAR. IT HAS ALSO INCREASED IMPORT PRICES
FOR SINGAPORE AS THE U. S. DOLLAR DECLINES AGAINST EUROPEAN AND
JAPANESE CURRENCIES. FURTHER WEAKENING OF THE U. S. DOLLAR
WILL ADD TO OUR PROBLEMS OF IMPORTED INFLATION.

AS REQUIRED UNDER THE INTERNATIONAL MONETARY FUND RULES,
WHICH ALLOW A MARGIN OF ONLY 2 1/4 PERCENT OF EITHER SIDE OF
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THE FIXED PARITY OF US\$1 TO SINGAPORE \$2.5376, THE MONETARY AUTHORITY OF SINGAPORE HAS ALREADY ABSORBED SUBSTANTIAL AMOUNTS OF U. S. DOLLARS AT THE FLOOR OF 2 1/4 PERCENT BELOW THE PAR RATE OF EXCHANGE FOR THE LAST THREE MONTHS. THE MINISTER FOR FINANCE, AFTER CONSULTATIONS WITH THE CURRENCY BOARD, HAS DECIDED THAT THE MONETARY AUTHORITY OF SINGAPORE WILL NO LONGER BE OBLIGED TO BUY U. S. DOLLARS WITH SINGAPORE DOLLARS UNDER THE INTERNATIONAL MONETARY FUND RULES.

THE MONETARY AUTHORITY OF SINGAPORE WILL HELP TO ENSURE AN ORDERLY FOREIGN EXCHANGE MARKET BY MAKING AVAILABLE, FROM TIME TO TIME, SINGAPORE DOLLARS AGAINST U. S. DOLLARS AND VICE VERSA AT RATES MORE IN KEEPING WITH THE STRENGTH OF THE SINGAPORE DOLLAR RELATIVE TO THE U. S. DOLLAR, AND MAJOR INTERNATIONAL CURRENCIES. FOR THE IMMEDIATE FUTURE, THE MONETARY AUTHORITY OF SINGAPORE ENVISAGES A STRENGTHENING OF THE SINGAPORE DOLLAR AGAINST THE U. S. DOLLAR.

IN VIEW OF THIS CHANGE, THE CURRENCY BOARD WILL ACCEPT MALAYSIAN CURRENCY AT PAR UP TO SATURDAY 23 JUNE, INSTEAD OF AUGUST 7. THE BOARD WILL REMAIN OPEN FOR THIS PURPOSE ON SATURDAY TILL 5:00 P. M.

INTERCHANGEABILITY WITH THE BRUNEI DOLLAR WILL CONTINUE.

WHEN THE INTERNATIONAL CURRENCY SITUATION IS STABILIZED, THE SINGAPORE DOLLAR WILL RETURN TO FIXED PARITY.

COMMENT: LOCAL BANKERS TONIGHT WERE NOT SURPRISED BY DECISION TO FLOAT BUT PREDICT GREAT CONFUSION IN EXCHANGE MARKET NEXT SEVERAL DAYS. ONE BANKER PREDICTED SINGAPORE DOLLAR WOULD APPRECIATE BY AS MUCH AS 10 PERCENT INITIALLY, BUT CONSENSUS OF BANKERS WE HAVE BEEN ABLE TO REACH IS THAT RATE COULD SETTLE DOWN ABOUT 5 PERCENT ABOVE CURRENT RATE.
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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

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TAGS: EFIN
To: EA
JAKARTA
KUALA LUMPUR
LONDON
SECSTATE WASHDC
TOKYO
Type: TE

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